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SUBJECT: JORDAN TRADE MINISTRY LAYS OUT FTA TRADE ISSUES FOR JC

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1. (SBU) SUMMARY: In preparation for the U.S.-Jordan Joint Committee meeting, Ministry of Industry and Trade official Amer Hadidi March 25 reviewed key trade issues with the TIJARA coalition of trade and business groups and sought their views on issues for the JC. Issues included accelerating tariff reductions, discussing WTO issues, reviewing guidelines on rules of origin, FTA implementation, renewed interest in a bilateral government procurement agreement, and seeking cumulation of content for products in the region, including with Iraq. Also highlighted was the GOJ's concern about the end of the Multifiber Agreement (MFA) at the close of 2004, with the GOJ likely to seek additional U.S. assistance to counter anticipated ill effects. END SUMMARY.

GPA: Renewed Interest

2. (SBU) Hadidi, a senior MOIT trade negotiator and Director of the Department of Industrial Development, led off with a proposed government procurement agreement (GPA). Jordan has already presented its initial entity offer in the WTO, he said. But the process takes a long time, an average of at least two years. A bilateral GPA could be the same as the WTO agreement or it could be "GPA plus," he said. With the growing U.S.-Jordan partnership, a bilateral GPA was of great interest to Jordan, he continued, and the GOJ would be raising GPA at the JC. (NOTE: This is a renewed expression of interest that had flagged over the last six months. Hadidi told Econoff that the GOJ is sensitive to the problems the leading Jordanian exporter of air conditioning units, Petra Engineering, is facing with "Buy America" legislation at the state and local levels in the United States. A GPA would help secure millions in additional contracts for the firm, while opening Jordan's markets wider to U.S. firms. END NOTE.)

3. (SBU) On acceleration of the tariff reductions, now scheduled in the FTA to be completed in 2010, Hadidi said the GOJ would raise its July 2003 request for zero tariffs on certain garments in HST codes 61, 62, and 63. (NOTE: The Trade Ministry has just forwarded to the Cabinet a national strategy on the garment industry in Jordan in which accelerated reductions in clothing tariffs on the U.S. market under the FTA play a key role. Details to come septel. Hadidi said privately that DPM Halaiga will speak to the Israelis as soon as possible about the possible effects of this move on QIZ trade, but had emphasized that the political situation between Jordan and Israel had not improved since FM Shalom's "postponed" visit in January. Halaiga would arrange a private consultation with Israeli DPM Olmert, probably by phone, he said. END NOTE.)

Cumulation of Content With "Adjacent Nations" and Singapore

4. (SBU) The FTA rules of origin already mention "adjacent" nations as potentially being able to participate in cumulation of content. Hadidi said the GOJ was very interested in pursuing content cumulation in Jordanian products that included Iraq. The similar relationship with Israel in the Qualifying Industrial Zones (QIZs) -- whereby Jordan's 35 percent value added can be supplemented with 8 percent Israeli content to secure both duty-free and quota-free access to the U.S. market -- was "very beneficial" to Jordan, he said to the closed assembly. Jordan would also seek to cumulate content with Morocco, he added. Jordan had recently concluded an AGADIR trade agreement with Tunisia, Egypt, and Morocco, he said, and wanted to propose something along similar lines. Acknowledging that the rules of origin in the U.S.-Morocco FTA were "quite different," Hadidi said the GOJ would seek potential synergies and then try to work together with the U.S. to develop them into concrete trade proposals.

15. (SBU) As Jordan expected to sign an FTA with Singapore in May, the GOJ wanted to explore bringing Singapore into the discussion on cumulation, especially on pharmaceutical R&D and in hi-tech areas, he said.

16. (SBU) Pointing to yet another U.S. FTA -- this time with Chile -- Hadidi noted that under the trade agreement the U.S. gave full exemptions to Chile on all duties for three big garment categories starting immediately. Commenting that this was "slightly better" than Jordan's FTA with the U.S., he expressed the hope that Jordan-U.S. talks at the JC could "improve on the FTA." (NOTE: In March 9 discussions with Econoff, Hadidi had said that this issue would only be raised if acceleration of tariff reductions were not approved. He had acknowledged the different FTA's had different rules of origin and that Morocco had agreed to a metric volume cap. END NOTE.) Hadidi was not as enthusiastic about the connections under the proposed Middle East Free Trade Area (MEFTA), saying only that the GOJ would have to wait to see where the potential is. The End of the Multi-Fiber Agreement: A Hot Issue

17. (SBU) Hadidi dwelled on the end of the MFA, which he said was a "hot issue" in Jordan. (NOTE: Jordan's USD 560 million in QIZ exports to the U.S. last year were almost entirely in the garments sector. END NOTE.) Hadidi said that the QIZs had attracted some manufacturers who were interested only in Jordan's unique quota-free system, an advantage that would disappear with the end of the MFA on December 31. He pointed to some China-based companies which had set up factories in Jordan only to fill the gaps in their large orders from U.S. buyers, having met quota ceilings in other countries where their factories are located. The GOJ wanted to be proactive to address the looming problem of quota-free competition, Hadidi said. A national strategy for the textiles and garment industry was being finalized that very day, he said, and would be submitted to the Prime Ministry for review by the GOJ cabinet. He assured the group that the GOJ was keenly aware of the problem and wanted to establish close relations with the affected businesses.

18. (SBU) Hadidi said that the GOJ would, during the June JC, ask the U.S. on what bases it would approach the end of the MFA. Jordan was aware of certain safeguard measures and bilateral agreements with China that might limit the effects of the end of the MFA. However, Hadidi asserted, the GOJ would ask the United States government for direct assistance to deal with competition from low-wage nations. (NOTE: Privately, Hadidi asserted that A/USTR had assured the GOJ that the U.S. would be taking certain steps to counter any threats, such as from China. END NOTE.)

FTA Implementation: Jordan "Lagging"

19. (SBU) In the JC, Jordan would raise implementation in three key areas: IPR, labor, and customs. Any deviation from mutual commitments would be reviewed carefully, he said. Jordan would brief on the current status of their efforts on each issue, and seek USTR views on where it is lagging. Hadidi acknowledged that the GOJ was behind in certain areas; the GOJ was committed to serious discussion.

Other Issues, Iraq

110. (SBU) The GOJ would raise the WTO Doha round, technical assistance on behalf of Jordan's FDA and in other areas, and guidelines on rules of origin, which are mentioned in the text of the Free Trade Agreement but have not yet been developed, said Hadidi.

111. (SBU) Noting that the reconstruction of Iraq offered a challenge and an opportunity for Iraq, Hadidi said the government's role was to facilitate access for businesses. He noted that Iraq would be raised at the JC, and again referred to possible trade arrangements. He said that the objective of the discussions would be to work with the U.S. to facilitate both trade and access to prime contractors as sources of sub-contracts for Jordanian businesses.

Private Sector Still Reviewing Issues

112. (SBU) The chairman of the Jordan American Business Association (JABA) focused on two key points of the JC: acceleration of tariff reductions, and the DAMAN pre-shipment inspection program. One importer noted that telephone equipment was now included under electronics and would have to be pre-inspected before being exported to Jordan. JABA would be assembling a group of importers affected by DAMAN in April. Hadidi acknowledged that DAMAN, a difficult issue, was under review at the highest levels of the GOJ, and would probably come up in the context of the JC. (NOTE: In a private conversation, Hadidi elaborated

that the GOJ wanted to get rid of the ill effects of DAMAN toward the U.S., but was concerned about the WTO issue of discriminatory treatment toward other trading nations. END NOTE.)

113. (SBU) Others aired their concerns about on-time delivery of goods and the poor response to the FTA opportunities by Jordanian businessmen, who may not know about the market-access advantages offered by the FTA. One member reported that an active subcommittee of concerned TIJARA members was grappling with an enhanced FTA awareness campaign, including more Arabic-text literature and websites.

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